STATE OF ILLINOIS
ILLINOIS COMMERCE COMMISSION

North Shore Gas Company	)	
	)	ICC Docket No. 11-0280
Proposed General Increase in Natural Gas Rates.	)	
	)	consolidated with
The Peoples Gas Light and Coke Company	)	
	)	ICC Docket No. 11-0281
Proposed General Increase in Natural Gas Rates.	)	

REPLY BRIEF

On behalf of

Interstate Gas Supply of Illinois, Inc.

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REPLY BRIEF OF INTERSTATE GAS SUPPLY OF ILLINOIS, INC

Interstate Gas Supply of Illinois, Inc. ("IGS"), by and through its attorneys, DLA Piper LLP (US), pursuant to Section 200.800 of the Rules of Practice of the Illinois Commerce Commission ("Commission") (83 Ill. Admin. Code 200.800), respectfully submits its Reply Brief in the instant proceeding addressing the proposed general increase in electric rates of North Shore Gas Company ("North Shore") and the Peoples Gas Light and Coke Company ("Peoples") (collectively, the "Companies" or "Utilities").

I.

INTRODUCTION

A. Overview/Summary

IGS's Initial Brief identified and explained the evidence showing that the current structure of the Companies Choices For You program -- in particular, with respect to administrative fees -- includes anti-competitive cross subsidies. IGS offered several straightforward steps to eliminate those cross-subsidies. (*See, e.g.* IGS Initial Brief at 3-4.) Those steps are consistent with the Commission's strong commitment to the competitive market and cost causation principles, and are consistent with the method of allocating administrative fees that the Commission approved for use in the Nicor choice program that is analogous to the

Companies' Choices For You program. The Initial Briefs of other parties fail to provide any compelling reason to allow the Companies to continue allocating administrative fees in an anti-competitive manner.

IGS has provided the Commission with substantial evidence highlighting several anti-competitive subsidies in the Companies' proposed delivery rates. With regard to the Companies' generally applicable administrative fees (the costs recovered in base rates), IGS demonstrated that the Companies recovered costs caused by sales customers. With regard to the Companies' Choices For You administrative fees (referred to as the Aggregation charge), IGS demonstrated that all eligible customers benefit from Choices For You, so all customers should contribute to the costs of the program. IGS has further demonstrated that the allocation of Gas Transportation Services ("GTS") costs -- which are in part recovered through Choices For You administrative fees -- is not supported by rigorous cost causation analysis.

In addition, Staff, CUB-City, and IGS all agree that the Companies provide subsidies to the Companies' affiliate, Peoples Energy Home Services ("PEHS") in support of its Pipeline Protection Plan ("PPP") warranty product. Both CUB-City and IGS concur with Staff's recommendations that the Commission require the Companies to fully bill PEHS for support costs and investigate the Companies' support for PEHS's PPP product. IGS provided substantial evidence that an additional necessary step to eliminate subsidies is to allow non-affiliates access to the Companies' billing and solicitation systems as well, and no party opposed that recommendation in Initial Briefs.

The evidence presented to the Commission supports the IGS recommendation, which set forth four ways that the Commission can mitigate the Companies' anti-competitive subsidies:

- **Generally applicable administrative fees should be charged in the same way that Choices For You administrative fees are charged -- preferably charging both to all eligible customers.** Currently, the Companies charge all customers (whether sales or Choices For You) for administrative functions that support sales customers only, but only charge Choices For You customers for functions that support the Choices For You program. The current approach creates a subsidy favoring sales customers paid for by Choices For You customers. The Commission can solve this problem by taking the same approach for both sets of administrative fees. This can be accomplished in one of two ways: (1) charge all customers for all administrative fees (as the Companies currently propose to do for generally applicable administrative fees), or (2) undertake a detailed cost analysis of generally applicable administrative fees and exclude costs supporting sales customers only from Choices For You customers (as the Companies currently propose for Choices For You administrative fees). Although both would be acceptable, in part due to the fact that the Companies do not track the cost information for each function supporting their proposed Administrative Fees, IGS recommends that all administrative fees applicable to sales and Choices For You customers are charged to both sales and Choices For You customers.

- **If Choices For You administrative fees are not charged to all eligible customers, the Companies should be required to undertake a detailed cost study to detail the size of the credits that Choices For You customers should receive.** It now is clear that Choices For You customers pay for costs associated with sales customers, but that eligible sales customers do not contribute to Choices For You costs. If all eligible customers are not charged for the administrative costs associated with the Choices For You program, the Companies should be required to undertake a detailed cost study, because they have provided in adequate cost information in this docket when requested. The detailed cost studies would be used to provide a credit for Choices For You customers against costs that they do not cause, or identified areas of double billing.

- **Adopt Staff's recommendation to require an investigation into the Companies' support of their affiliate's warranty product.** Staff has presented thorough and convincing evidence that the Companies' support for their affiliate's warranty product requires additional investigation from the Commission.

- **Eliminate subsidies and inequitable access to utility services supporting non-commodity products.** Staff -- and the Companies -- provided significant evidence that the Companies subsidize their affiliate's warranty product. In addition, IGS provided additional evidence demonstrating additional competitive imbalances, most notably restricted access to the utility bill and no access to the Companies' solicitation apparatus. The Commission should require the Companies to provide access to the utility bill and solicitation services on a non-discriminatory basis to non-affiliates.

V.

OPERATING EXPENSES

C. Contested Issues

8. Revenues

In the Initial Brief, IGS recommended that the Commission compel the Companies to allow non-discriminatory access to the Companies' billing and solicitation services, charge PEHS for the full cost of support services, and accept Staff's recommendation that the Commission open an investigation into the Companies' support of PPP. (*See, e.g.*, IGS Initial Brief at 4-9.) The Initial Briefs of Staff, CUB-City, and the Companies have not changed IGS's recommendations on these issues. (*See, e.g.*, Staff Initial Brief at 37-51; CUB-City Initial Brief at 26-28; NS-PGL Initial Brief at 81-82.) In fact, the Initial Briefs of Staff and CUB-City provided further support for IGS's recommendations regarding charging PEHS for the full cost of support services and opening an investigation. (*See* Staff Initial Brief at 37-51; CUB-City Initial Brief at 26-28.) Furthermore, no party disputed IGS's recommendation that billing and solicitation services be offered to non-affiliates on a non-discriminatory basis, consistent with the resolution of similar issues in the Nicor Merger proceeding (ICC Docket No. 11-0046). (*See, e.g.,* Staff Initial Brief at 51 (no discussion in Section V.C.8.c); NS-PGL Initial Brief at 82 (same); CUB-City Initial Brief at 26-28 (discussion in Section V.C.8.c addressing different issues).) As a result, IGS reaffirms the recommendations from its Initial Brief.

b. Other Issues Relating to PEHS and PEPP, Including Staff Request for Investigation

In its Initial Brief, IGS supported Staff's recommendation that, within 90 days of the Final Order in the present dockets, that the Companies be required to petition to continue providing support to the Companies' affiliate that provides a warranty product, PEHS. (*See, e.g.*, IGS Initial Brief at 4, 5-6.) Staff provided extensive justification for its position, detailing the ways that the Companies undercharged -- and in some cases did not charge or account for charging -- PEHS for valuable services. (*See* Staff Initial Brief at 37-49.) Staff concluded that:

> The preceding discussion in sections V.C.6 and V.C.8 amply demonstrates at a minimum a lack of attention by the Companies to proper interaction between themselves and their affiliates and at a maximum complete abuse of the law and Commission orders. The proposed investigation is necessary to prevent ratepayers from continuing to subsidize the affiliates.

(Staff Initial Brief at 50; *see* Staff Initial Brief at 37-49 (Sections V.C.6 and V.C.8 of Staff's Initial Brief).) IGS agrees with Staff's goal of eliminating subsidies benefitting the PPP product.. In addition, CUB-City cites to similar evidence and concluded that they "endorse and support Staff's recommendations with regard to the Companies' Pipeline Protection Program." (CUB-City Initial Brief at 26.)

The Companies opposed Staff's position, but the Companies' arguments were unconvincing. The Companies focused on what they characterized as the small dollar amounts that the Companies undercharged to PEHS. (*See* NS-PGL Initial Brief at 82.) This argument is unavailing for three reasons. First, assuming the Companies' numbers are accurate, IGS is not aware of a *de minimis* exception for violations of affiliate transaction agreements; the harm to the competitive market and improper (and unapproved) subsidization impacts warranty product price and ratepayer benefits regardless of the dollar amount involved. (*See, e.g.*, IGS Initial Brief at 5, 7-8 (noting, for example, that a competitive market puts downward pressure on prices and subsidies harm ratepayers).) Second, Staff disputes the Companies' assigned values to revenue shortfalls; Staff estimates appear to exceed the Companies' roughly $20,000 shortfall estimate by over $140,000. (*See* Staff Initial Brief at 45 (estimating value of services provided to PEHS based on the Companies' 2006 estimate), 49 (estimating repair charge shortfall of nearly $20,000); *cf.* NS-PGS Initial Brief at 82 (estimating a roughly $20,000 shortfall).) Third, it is possible that none of the numbers are accurate, because -- as Staff highlighted -- the Companies' explanation of the services provided and the costs of those services is apparently riddled with errors, self-contradictory, and insufficient to rely on for an accurate calculation. (*See, e.g.* Staff Initial Brief at 41-46 (solicitation expenses), 47-49 (repair expenses).) The persistence of these data gaps over the course of extensive discovery mirrors IGS's experience seeking more detailed information about administrative fee cost causation and underscores the need to have the Companies disclose and justify the support that the Companies provide to PEHS. (*See, e.g.* IGS Initial Brief at 12-13 (general administrative fees), 23-24 (Choices For You administrative fees); Sections XI.C and XI.E *infra*.)

Although Staff provided evidence of subsidies benefitting the Companies' affiliate and its warranty product -- evidence that IGS finds credible and compelling -- IGS briefly comments on one of Staff's conclusions to make sure that it leads to appropriate rather than unnecessary results. Staff argues that the PEHS product is "over priced" (Staff Initial Brief at 39-40.) IGS takes no position on that particular Staff finding, but does note the record evidence showing that warranty products generally are a valuable service that non-utilities provide to interested customers. (*See* Staff Initial Brief at 39-40; IGS Initial Brief at 7.) In other words, the problem is not warranty products *per se*. The proglem is subsidies that benefit the Companies' affiliate in a discriminatory manner, thus preventing the full and fair development of a competitive market, which would result in the price-lowering effects of true competition among all warranty service providers. (*See* IGS Initial Brief at 6-7.) The solution to that problem is to require (1) non-discriminatory access to the Companies' billing and solicitation assets, and (2)full payment by PEHS the support provided to it by the Companies'.

Because Staff and CUB-City both provide convincing reasons for adopting Staff's proposal for an investigation and the Companies' rationale for not conducting an investigation is unconvincing, IGS reaffirms its support of Staff's recommendation for an investigation into the support the Companies provide for PEHS.

c. Warranty Products (Revenue and Non-Revenue)

In its Initial Brief, IGS explained the need for non-affiliates to receive access to the Companies' billing and solicitation services on a non-discriminatory basis. (*See* IGS Initial Brief at 4, 6-9.) No party objected to IGS's position in their respective Initial Briefs. Thus, IGS reaffirms the position from its Initial Brief and recommends that the Commission require the Companies to offer billing and solicitation services on non-discriminatory terms to non-affiliates.

XI.

TRANSPORTATION ISSUES

In its Initial Brief, IGS cited substantial evidence of improper subsidies in the Companies' administrative fees. (*See* IGS Initial Brief at 10-25.) The evidence broke into three categories. First, with regard to fees recovered through base rates ("generally applicable administrative fees" or "general administrative fees"), the evidence shows that costs caused by sales customers were being collected from all customers without a credit for Choices For You customers. (*See, e.g.*, IGS Initial Brief at 10-14.) Second, additional evidence shows that all eligible customers benefit from transportation programs, so it would accurately reflect cost causation to recover Choices For You administrative fees from all eligible customers. (*See, e.g.*, IGS Initial Brief at 17-22.) Third, the evidence shows that Choices For You administrative fees, as allocated by the Companies from total Gas Transportation Services ("GTS") costs, were not supported by cost causation evidence to justify the allocation. (*See, e.g.* IGS Initial Brief at 22-24.) As a result, IGS requested the following relief:

- Charge Choices For You administrative Fees to all eligible customers; or, alternatively,
- Compel the Companies to undertake detailed cost causation analysis to make Choices For You administrative fees more reflective of cost causation and to provide a credit for generally applicable administrative fees to back out sales costs.

(*See, e.g.*, IGS Initial Brief at 4, 10.)

No other parties have presented evidence or arguments in their respective Initial Briefs that caused IGS to change its opinion. It appears that only the Companies and Staff have raised these issues in Initial Briefing; both argued that Choices For You administrative fees should only be paid for by Choices For You customers, and the Companies argue that there are no subsidies in its generally applicable administrative fees or Choices For You administrative fees. (*See* NS-PGL Initial Brief at 160-161; Staff Initial Brief at 129.) However, neither party raises substantial evidence sufficient to rebut IGS's evidence that charging all customers Choices For You administrative fees is appropriate because all customers benefit, and that Choices For You customers improperly subsidize sales customers. Thus, IGS reaffirms its position from its Initial Brief.

Finally, with regard to Purchase of Receivables ("POR"), IGS withdrew its initial recommendation for POR, and no other party has recommended a POR program in this proceeding. (*See* IGS Initial Brief at 25-26.) Thus, POR is not an issue and there is no need for a Commission decision or analysis regarding this item. (*See id.*) The Companies and Staff both acknowledge the withdrawal of the initial POR recommendation. (*See* NS-PGS Initial Brief at 162; Staff Initial Brief at 130.) Staff nevertheless sought to "point out a few things to complete the record," but then provided a single paragraph statement of a couple of items that falls far short of a substantive discussion of this issue. (*Compare* Staff Initial Brief at 130 *with* IGS Initial Brief at 25-26 *and* IGS Ex. 2.0 at 4:92-13:313 (providing detailed responses to the Companies' criticisms.) In any event, Staff and the Companies acknowledge that there is no active proposal for POR presented to the Commission; therefore, there is no issue needing Commission analysis.

C. Administrative Charges

The record evidence shows that Choices For You customers are charged for costs through generally applicable administrative fees that they do not cause. (*See, e.g.*, IGS Initial Brief at 12-14.) Specific evidence included responses to Data Requests and cross-examination testimony showing that Choices For You customers paid for similar services through Choices For You administrative fees and generally applicable administrative fees. (*See id.* at 12-13) The evidence also included descriptions for why Choices For You customers did not cause significant non-commodity uncollectable expenses. (*See id.* at 13-14.) The Companies did not dispute that Choices For You customers do not cause such non-commodity uncollectable expenses.

The Companies argued in their Initial Brief that Choices For You customers are not charged twice, but the Companies explanation is unpersuasive. The Companies state that certain services "apply to all customers" (NS-PGL Initial Brief at 161). That may be true, but it fails to address the fundamental problem demonstrated by the evidence -- the problem is *double billing* for similar, overlapping functions under both the generally applicable administrative fee and the Choices For You administrative fee:

> The inequity is explicit: although sales-specific charges are recovered through base rates (i.e. administrative fees to all customers, including Choices For You customers), Choices For You-specific costs are borne only by Choices For You customers. The Choices For You customers do not receive any credit associated with the components of sales-specific services recovered through base rates. As a result, the Choices For You customers are improperly billed twice for certain

> services (once through base rates and then again through the Choices For You charge).

(IGS Initial Brief at 12-13.) The Companies essentially sidestep the actual point about double billing, because it does not appear that the Companies' examples for charges applicable to all customers covers the potential areas of double-billing identified in IGS's Initial Brief or on cross-examination of Companies' witness Mr. McKendry. (*Compare* IGS Initial Brief at 12 *with* NS-PGL Initial Brief at 161.)

Even if the Commission credits both IGS's evidence and the Companies' evidence, it is clear that the Companies have not sufficiently explained the functions recovered in base rates or how sales-related costs are kept out to establish that Choices For You customers are not getting billed twice. IGS expert witness Mr. Parisi identified the issue in his Rebuttal Testimony:

> The Companies' testimony requires some "unpacking" and further detail to fully understand what [it] is the Companies are suggesting. For example, with respect to the last sentence about "supply personnel", the implication is that the services that those supply personnel provide are 100% equally applicable to customers taking supply from the Companies and customers taking supply from ARGSs.

(IGS Ex. 2.0 at 17:409-413; *see also* NS-PGL Ex. 28.0 at 42:910-918 (quoted in IGS Ex. 2.0 and referenced in the quote above.) Mr. Parisi discusses at length the basis for this opinion, and concludes that:

> Until the Companies provide that allocation and set charges accordingly, however, it seems clear that, in fact, the Companies are double charging Choices For You Customers for services that those customers do not receive from the Companies.

(IGS Ex. 2.0 at 19:453-456; *see id.* at 16:383-20:482 (identifying basis for Mr. Parisi's opinion and conclusions).) This forms the basis, in part, for IGS's alternative recommendation that the Commission require the Companies to undertake a comprehensive cost causation analysis if the Commission does not require charging all eligible customers for Choices For You administrative fees.

In essence, the Companies have failed to provide sufficient information to determine how much of a credit Choices For You customers should get against generally applicable administrative fees for costs they did not cause. (*See* IGS Initial Brief at 12-14.) The double billing issue runs into the exact same problem as the non-commodity uncollectable fees: there is clear record evidence that Choices For You customers simply do not cause all the costs they are charged for, but the Companies -- as the only party with access to such information -- did not provide the detailed cost causation information to determine the volume of the credit. (*See, e.g.*, IGS Initial Brief at 4, 14-16; IGS Ex. 2.0 at 19:447-466.) Thus, it is not possible to fully and accurately mitigate these cross-subsidies in the current proceeding with a credit. Accordingly, IGS reaffirms its recommendation that the Commission take the first step of charging Choices For You customers to all eligible customers -- which, as described below, is consistent with cost causation principles -- and determine an appropriate credit in future rate cases.

E. Small Volume Transportation Program (Choices for You^SM or "CFY")

1. Aggregation Charge

IGS continues to recommend that the Choices For You administrative fee be allocated to all customers who have the opportunity to take service under the Choices For You program. No party has rebutted the evidence demonstrating that this approach best reflects cost causation and is consistent with the Commission's treatment of cost allocation in analogous situations and the Commission's approval of the allocation of this cost in Nicor choice program.

a. All Eligible Customers Should Pay The Costs Associated With Providing The Option To Enroll In "Choices For You"

The Companies and Staff dispute that charging all eligible customers Choices For You administrative fees reflects cost causation. The Companies state:

> GTS's current services and the proposed new storage subscription process have been and would be provided to transportation customers and suppliers. Accordingly, it is clear who is causing the costs that have been or would be incurred. . . .
>
> As sales customers do not cause the costs that are incurred by the GTS department and related IT costs, they should not be assessed any of the costs.

(NS-PGL Initial Brief at 160; *see also* Staff Initial Brief at 129 (raising similar argument).)

This statement was specifically contradicted by Companies' witness Mr. McKendry's testimony on cross-examination. Mr. McKendry candidly and clearly admitted that *all* customers benefit from the ongoing Choices For You program because fees include excess capacity that would allow a sales customer to join at any time. (*See* IGS Initial Brief at 19-20 (quoting Tr. at 692:4-693:5).) Neither the Companies nor Staff have indicated that Mr. McKendry was wrong when he made that statement. Accordingly, the argument against properly allocating the administrative fee to all eligible customers is specifically undercut by the clear testimony of the Companies' witness.

In addition, IGS provided evidence that the Choices For You administrative fee currently functions as a "switching fee" that harms competition. (*See* IGS Initial Brief at 20.) No party questions or makes any argument in Initial Briefs attempting to rebut that point.

Finally, any suggestion by the Companies or Staff that sales customers obtain no benefit from the Choices For You program is not supported by the evidence and fails to account for the manner in which the Companies themselves have allocated costs related to other programs that are analogous to Choice For You. Again, as noted above, Companies witness Mr. McKendry testified that all customers benefit from the Choices For You program. And, as explained in IGS's Initial Brief, Choices For You is a program available to all customers and benefits all of those customers in precisely the same manner that items such as an energy efficiency program and the call center benefits all customers (including those that do not sign up for the program or ever call the call center) because those resources exist for all customers who may use them if they so choose. (*See, e.g.* IGS Initial Brief at 20-21.)

The Companies also appear to continue to misapprehend the point of IGS's call center example. (*See, e.g.* IGS Ex. 1.0 at 35:828-856; IGS Ex. 2.0 at 21:488-22:524; IGS Initial Brief at 19-20.) IGS merely pointed out that, with regard to the Companies' general call center, the following three facts: (1) all customers are eligible to call, (2) less than all customers do call in any given timeframe, and (3) the Companies, despite being able to identify who has called and charge them individually, charges all eligible customers. (*See id.*) The example has nothing to do with the GTS call center. (*See, e.g.* NS-PGL Initial Brief at 160-161; *see also* NS-PGL Ex. 28.0 at 41.901-906 (similar contention in testimony).) The point is that (like energy efficiency programs), even though not all customers avail themselves of the call center, all customers are charged for it because they benefit from its availability -- precisely the argument that IGS makes that all eligible customers should pay Choices For You administrative fees. (*See, e.g.*, IGS Initial Brief at 18-21.)

Staff disagrees with IGS's contention that the Commission's Order in the Companies' 2009 rate case required the Companies to consider charging Choices For You administrative fees to all customers or explain why they could not. (*See* Staff Initial Brief at 129.) The Commission's Final Order speaks for itself:

> Because the Commission has adopted Staff's position to hold workshops, the Administrative Costs are matters that can be reviewed in that forum. See the discussion of the adoption of the workshop process above.

(ICC Docket Nos. 09-0166/-0167 (cons.) Final Order dated January 21, 2010 at 260.) The "discussion of the workshop process above" refers to several pages earlier in the Order, which reads, in part:

> The Commission directs the Utilities to come to the workshops prepared to discuss the Nicor program, as presented by Mr. Crist. The Utilities should be prepared to explain which parts are appropriate for their program, which are not, and why they are not. For those parts of the Nicor program that the Utilities believe are not appropriate for their program, they will come prepared to present alternatives to address the issues raised by RGS.
>
> **The workshops will cover all the small volume transportation program issues**.

(*Id.* at 253 (emphasis added).) The Commission's language speaks for itself quite clearly. Respectfully, Staff's suggestion that the Commission did not direct that administrative fees be addressed in the workshop process that came out of the Companies' last rate case is inaccurate. The Commission did exactly that. The Commission directed the Companies to address the Nicor Gas approach, which includes charging all eligible customers for Choices For You administrative fees. (*See, e.g.* IGS Initial Brief at 18; *see also* ICC Docket No. 08-0363, Final Order dated March 25, 2009 at 128 (Nicor Gas approach); ICC Docket Nos. 09-0166/-0167 (cons.) Final Order dated January 21, 2010 at 258 (characterization of Nicor Gas approach in the Companies' 2009 rate case).) Notably, the Nicor approach was presented and approved by the Commission in the 2008 Nicor Rate Case, and in that case Staff "recommended approving" the MOU that specifically provided that small volume transportation administrative fees be allocated to and collected from all eligible customers – precisely the same proposal that IGS is presenting in this proceeding. (*See* ICC Docket No. 08-0363, Final Order dated March 25, 2009 at 128.)

In summary, neither the Companies nor Staff explain why the Commission, in other situations where many customers are eligible but only select eligible customers reap direct benefits, should charge all eligible customers in those instances but not here. Furthermore, no party has rebutted IGS's evidence that all eligible customers do, in fact, benefit from the ongoing operation of the Choices For You program because any sales customer could switch at any time – a point to which the Companies' witness on these issues specifically agreed. Finally, no other party properly accounts for the Commission's policy favoring competition. As a result, IGS reaffirms its position from the Initial Brief.

b. Alternatively, The Companies Should Be Forced To Allocate Gas Transportation Services In A A Manner That More Accurately Reflects Cost Causation

In the Initial Brief, IGS recommended that, if the Commission does not charge Choices For You costs to all eligible customers, the Commission should require the Companies to undertake a detailed cost-causation analysis of GTS costs. (*See* IGS Initial Brief at 22-24.) The other parties have not provided any arguments that provided a basis for changing IGS's recommendation. Importantly, as described above in Section XI.C and in IGS's Initial Brief, there simply is not sufficient evidence in the record to identify cost causation with regard to either generally applicable or Choices For You administrative fees. (*See* IGS Initial Brief at 23-24; Section XI.C *supra*.) For the reasons cited in the Initial Brief and herein, IGS reaffirms its recommendation that the Commission mandate that the Companies charge all eligible customers for Choices For You administrative fees. In the alternative, if the Commission does not accept IGS's recommendation, IGS respectfully requests that the Commission compel the Companies to undertake a detailed cost causation study of the Companies' administrative fees, both generally applicable and Choices For You.

2. Purchase of Receivables (withdrawn)

The Purchase of Receivables ("POR") issue has been withdrawn in this case, as recognized by the Companies and Staff. (See NS-PGL Initial Brief at 162; Staff Initial Brief at 130) As IGS summarized in the Initial Brief:

> In Direct Testimony, IGS recommended that the Companies implement a Purchase of Receivables program in the present dockets as a remedy to the unequal treatment by the Companies of sales customers and Choices For You customers. However, based on several factors, IGS has withdrawn its

> recommendation regarding implementation of a Purchase of Receivables program in these dockets.

(IGS Initial Brief at 25 (citations omitted).) Both the Companies and Staff accurately acknowledge that IGS withdrew its recommendation, however Staff has briefly addressed this issue in its Initial Brief. (*See* Staff Initial Brief at 129-130; NS-PGL Initial Brief at 162.) Staff argues that IGS did not provide sufficient empirical evidence and that POR should not be implemented before certain events occur. IGS disagrees with Staff viewpoint. (*See, e.g.*, IGS Ex. 1.0 at 9:210-30:704; IGS Ex. 2.0 at 4:92-12:299.) However, again, because no party is proposing Purchase of Receivables, there is no proposal in front of the Commission on which a ruling is required and Staff's concerns are mooted by the lack of IGS or any other party advocating for a POR program in this proceeding at this time. (*Compare, e.g.*, Staff Initial Brief at 129-130 *with* IGS Initial Brief at 25-26.) Thus, IGS reaffirms its recommendation that because it has withdrawn its request for a Purchase of Receivables program, the issue is not properly before the Commission.

XII.

CONCLUSION

No party has presented sufficient evidence or arguments in Initial Briefs to refute IGS' arguments or conclusions in its Initial Brief. As stated the Initial Brief, IGS urges the Commission to make "[a} few simple fixes [that] will greatly ameliorate the identified imbalances," namely the anti-competitive and non-reflective of cost causation subsidies identified in the Initial Brief and above in this Reply Brief. (IGS Initial Brief at 26.)

WHEREFORE, IGS respectfully requests that the Commission enter an Order:

1. Requiring the Companies to collect Choices For You administrative fees from all customers.

2. In the alternative, requiring the Companies to undertake detailed cost-causation analysis of the administrative fees to all customers and the Gas Transportation Services allocation factors;

3. Accepting Staff's proposal to open an investigation into the Companies' practices supporting their affiliate and its warranty product;

4. Requiring the Companies to provide access to their billing and solicitation assets to non-affiliates on a non-discriminatory basis; and

5. Granting any additional relief that the Commission determines to be in the interests of justice.

Respectfully submitted,

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